THE COLLEGE ACCESS & OPPORTUNITY ACT

- Millions of low and middle-income students today face the possibility of being denied access to a higher education.

- An overwhelming majority of Americans believe future increases in federal higher education aid should go to expanding help for current and future college students, rather than continued subsidies to graduates in the workforce, such as higher income borrowers repaying their loans.

- If current programs remain on autopilot, the opposite is likely to happen. Subsidies to higher income graduates will consume billions of dollars that should instead be used to ensure access for incoming, low and middle-income students.

- The independent General Accounting Office (GAO) has warned the cost of the federal loan consolidation program – which provides billions in subsidies to higher income individuals who are no longer students – will explode over the next several years. Billions that should be used to expand access for students will instead be used for subsidies to non-students. GAO has urged Congress to consider alternatives.

- The ballooning cost of fixed-rate consolidation loans is a threat to college access for low and middle-income students who haven't received an education yet. There is emerging bipartisan consensus on this point, despite rhetoric to the contrary from the Democratic Party leadership.

- Experts on both sides of the political fence have said Congress can protect incoming students by ensuring all future consolidation loans are based on variable interest rates, rather than a fixed interest rate. This will preserve the benefits of the consolidation loan program without jeopardizing college access for low and middle-income students.

- Rank-and-file Democrats on the House Education & the Workforce Committee have introduced several bills that would ensure all future consolidation loans are based on a variable rate. More than half of all Democrats on the committee (14 out of 22) have either introduced or co-sponsored bills that would make all new consolidation loans variable rate.

- Committee Republicans will incorporate this bipartisan concept into fiscally responsible legislation that will restore fairness and expand access for incoming, low and middle-income students – the College Access & Opportunity Act.

House Education & the Workforce Committee
John Boehner, Chairman
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BILL SUMMARY

The College Access & Opportunity Act

May 5, 2004

The College Access & Opportunity Act will expand access to higher education for millions of low and middle-income students. The bill will reauthorize the remaining portions of the Higher Education Act (HEA), including Title IV, which deals with student aid. The House has already passed bills reauthorizing several other portions of the Higher Education Act.

The College Access & Opportunity Act will expand access to higher education for millions of low and middle-income students by:

- **Strengthening Pell Grants, student aid, student access, and minority serving institutions.**
- **Reducing loan costs, fees, and red tape for students and graduates.**
- **Removing barriers for non-traditional students.**
- **Empowering consumers through "sunshine" and transparency in college costs & accreditation.**

STRENGTHENING PELL GRANTS, STUDENT AID, STUDENT ACCESS, & MINORITY SERVING INSTITUTIONS

The College Access & Opportunity Act will:

- **Provide extra Pell Grant aid for high-achieving first and second-year students.** To help lower income students adjust to college without being forced to take on additional financial burdens and encourage needy students to give college a try, President Bush and House Republicans would provide extra Pell Grant aid – over and above the current maximum award – to lower income first- and second-year students through a proposal dubbed "Pell Grants Plus." The bill will provide the additional aid to lower income students who have completed a rigorous high school curriculum through the State Scholars Program. S*ee the summary of H.R. 3894, the Pell Grants Plus Act, introduced by Reps. Max Burns (R-GA) and Ric Keller (R-FL).*

- **Provide year-round Pell Grant aid for students attending school throughout the year.** The bill will provide year-round Pell Grant funding for students accelerating their coursework.

- **Remove an incentive for colleges to raise tuition by repealing Pell Grant "tuition sensitivity."** A current federal rule needlessly limits the amount of Pell Grant aid a student attending a very low-cost institution can receive. In addition to hurting students at such schools, this rule unintentionally creates an incentive for colleges and states to increase tuition. The bill will repeal the tuition sensitivity requirement.

- **Simplify the financial aid process for needy students and families.** The bill will make it easier for the neediest students to participate in federal student aid programs by simplifying and expanding eligibility for use of the "simplified needs test" to determine how much aid a family qualifies to receive. In addition, the bill will require that a special effort be made to notify students and parents who qualify for free lunch, food stamps, or other means-tested programs of their potential eligibility for a maximum Pell Grant.

- **Allow dependent students to earn more money without losing their student aid.** The bill will increase the amount a dependent student can earn without negatively impacting his or her eligibility to receive federal student aid.

- **Phase out unfair advantages in campus-based student aid.** An unfair share of federal campus-based aid currently goes to some older, higher-cost institutions because of an outdated federal formula used to distribute the money. The bill will phase out the current formula to ensure fairness for lower-cost institutions and the students who attend such schools. As the *New York Times* noted recently, "[t]he federal government typically gives the wealthiest private universities, which often serve the smallest percentage of low-income students, significantly more financial aid money than their struggling counterparts with much greater shares of poor students." (Greg Winter, "Rich colleges receiving richest share of U.S. aid," *New York Times*, November 9, 2003) The National Association of Student Financial Aid Administrators (NASFAA), which represents the student financial aid interests of most U.S. colleges, is urging Congress to end the special subsidies. And in his 2005 budget request, President Bush called on Congress to provide fairness for low and middle-income students.

- **Strengthen federal college access programs (TRIO and GEAR UP).** As originally proposed in H.R. 3039, the bill will reauthorize and strengthen all federal college access programs for low and middle-income students, including TRIO and GEAR UP. President Bush has asked Congress to continue to provide record funding for these programs for FY 2005 (TRIO is receiving a record $832.6 million in federal appropriations this year, and GEAR UP is receiving a record $298.2 million). The bill will authorize and allow Congress to build on these record investments. The bill will also increase the minimum grant levels for TRIO programs; provide more flexibility for institutions to serve different populations at multiple campuses; and ensure the unique needs of low-income working adults can be successfully addressed through these programs. To create a level playing field and ensure fairness for new institutions seeking to compete for federal TRIO funds, the bill will set aside 10 percent of TRIO funding in a reserve account for novice, quality applicants. If an insufficient number of quality, novice applicants qualify for and receive grants, the reserve funds will be released to other institutions participating in TRIO. The College Access & Opportunity Act also clarifies that GEAR UP grants are provided for six years, ensuring services for students are not cut short, and allows GEAR UP funds to be used to help students make the transition from high school to college.

- **Strengthen minority serving institutions.** Minority serving institutions such as Historically Black Colleges & Universities (HBCUs) and Historically Black Graduate Institutions (HBGIs), Tribally Controlled Colleges and Universities, and Hispanic Serving Institutions (HSIs) play a key role in providing access to higher education for American students. The College Access & Opportunity Act will reauthorize and strengthen these programs, which are receiving historic levels of federal funding under President George W. Bush. The bill will make it easier for minority serving institutions to use technology to improve education by providing such schools with the flexibility to use federal funds to develop or improve facilities for Internet use or other distance learning capabilities. By giving minority institutions the freedom they are seeking to use their funds to acquire technology, the bill will encourage innovation and new opportunities for student learning. The College Access & Opportunity Act will also increase the minimum grant for HBCUs and simplify the grant application process for Tribally Controlled Colleges and Universities. The bill will also reduce red tape for Hispanic Serving Institutions by eliminating the two-year lapse between grant applications Hispanic Serving Institutions are forced to contend with under current law. Finally, the bill will permit all minority serving institutions to use grant funds to establish and build endowments, ensuring these institutions can continue to serve their students now and into the future.

REDUCING LOAN COSTS, FEES & RED TAPE FOR STUDENTS & GRADUATES

The College Access & Opportunity Act will:

- **Reduce loan origination fees for students.** The bill will gradually reduce origination fees to 1 percent for both the FFELP and Direct Loan programs. The fees will be phased down gradually over the life of the bill.

- **Update loan limits for first and second-year students without increasing overall student debt.** Loan limits for first-year students were last adjusted in 1986, and for second-year students in 1992. The bill will allow moderate increases in loan limits for first and second-year students to give students greater access to loans at the lowest possible interest rates. First-year student limits will increase from $2,625 to $3,500. Second-year student limits will increase from $3,500 to $4,500. However, aggregate undergraduate borrowing limits will remain unchanged at $23,000, ensuring students are not saddled with unnecessarily high debt loads. Graduate unsubsidized annual borrowing limits will increase from $10,000 to $12,000; Perkins loan limits will be updated for undergraduate and graduate students as well.

- **Allow students to continue to take advantage of low, market-based interest rates.** Students today are benefiting from the lowest student loan interest rates in history. The bill will ensure they can continue to take advantage of such low rates by preserving the current successful variable interest rate structure beyond 2006, when the current market-based rate (currently about 3.42 percent) is scheduled to be replaced by an artificial, arbitrary rate fixed at 6.8 percent. If this change is not enacted, students could see their interest costs double overnight beginning in 2006. The bill will ensure all federal student loans are based on a variable-rate to ensure all students and borrowers can take advantage of low, market-based interest rates.

- **Allow graduates to consolidate loans at low, market-based interest rates.** As recommended by the independent General Accounting Office (GAO), the interest rate for consolidation loans would be changed from fixed to variable, affording consolidation loan borrowers the same low rates now available on other student loans. Borrowers would be protected from excessively high interest rates through the repayment period by an interest rate cap (at 8.25 percent) and ensured access to the lowest available rates, such as the 3.42 percent borrowers are paying today. The variable-rate structure gives borrowers the ability to repay loans in a more timely fashion and take advantage of low market rates. This change will also ensure billions of additional dollars will be available in future years to expand college access for low and middle-income students.

- **Allow consumers to shop for the best deals on consolidation loans by eliminating the "single-holder" rule.** The bill will enhance the benefits of the federal consolidation loan program by repealing a federal rule that limits consumers' ability to shop for the best deal for a consolidation loan. The bill will repeal the "single holder" rule, which limits consumers' ability to consolidate with the lender of their choice by requiring consumers who have all of their loans held by a single lender to consolidate with that lender, even if they could obtain better terms and service elsewhere. Borrowers will now have the ability to shop around with other lenders for the best terms and services, while ensuring the original holder of their loans can and must compete to retain the loan. The bill will also make common-sense technical corrections to current rules on consolidation loans – encouraging rehabilitation of defaulted loans, which allows a borrower to regain good standing and clear up negative credit history, and repealing provisions that allow spousal consolidations that create financial and legal havoc for borrowers (spouses will still individually be fully eligible for consolidation loans).

- **Protect borrowers' credit history by requiring lenders to report to all national credit bureaus.** For many students and graduates, consecutive on-time monthly student loan payments can help to build a strong credit history. A strong student loan repayment history can help borrowers qualify for lower-cost financing options, improved benefits, and even a first mortgage for college graduates who dream of owning a home. The bill will require lenders to report to all national credit bureaus to ensure students and graduates will be able to take full advantage of the good credit history they have earned through repayment of their federal student loans.

- **Improve repayment options for borrowers having trouble.** The bill provides an interest-only repayment plan for borrowers who are having trouble meeting their student loan repayment obligations.

- **Provide additional consumer protection information to borrowers regarding consolidation loans.** The bill will require that borrowers be provided with comprehensive information about total interest they will be paying, the repayment terms they are agreeing to, the benefits they will be eligible for, and other important consumer disclosures. To help borrowers stay out of default, the bill will require that borrowers be given access to financial and economic educational materials.

- **Eliminate excessive lender subsidies to protect taxpayers and students.** The bill will reform provisions in current law that result in higher than market-value subsidies to be paid to certain lenders. The bill will clarify ambiguities that have resulted in excess lender earnings, saving taxpayers millions annually and freeing up money that can be used to expand college access for needy students. The bill accomplishes this in a careful manner that should not disrupt outstanding tax-exempt bond issuances.

- **Reform federal income guarantees for lenders.** To create savings that can be used to expand college access for low and middle-income students, the bill will reform so-called "floor income" guarantees for lenders. The bill will specify that excess interest earnings must be returned to the government. The Congressional Budget Office (CBO) estimates that by reforming this aspect of current law – and bringing equity into the system for all involved – savings will be generated that can be used to improve access and fairness for middle and low income students struggling to attend college.

- **Help to ensure students receive student aid quickly.** As originally proposed in the bipartisan FED UP bill, the bill will extend incentives for institutions to keep their student loan default rates low and allow students to receive loan funds faster. Schools with default rates under 10 percent for three consecutive years will be permitted to waive burdensome federal rules, including a rule requiring them to wait 30 days before providing loans to first-time borrowers who are first-year students.

- **Preserve the balance between traditional and direct student loans.** The bill will maintain the balanced approach between direct lending and traditional lending adopted by the Bush administration, which has coincided with the lowest student loan interest rate in history. The bill would preserve both the FFEL and Direct lending programs.

REMOVING BARRIERS FOR NON-TRADITIONAL STUDENTS

For many non-traditional college students, alternative postsecondary education options such as community colleges, degree granting or certificate programs, proprietary schools, and distance learning programs provide an important alternative gateway to a college education. The College Access & Opportunity Act will:

- **Repeal the unfair "90-10" rule to ensure greater fairness for low-income, middle-income, and minority students.** Current law requires proprietary schools to demonstrate that 10 percent of their revenue is derived from sources other than federal student aid funds. There is no evidence this requirement reduces fraud and abuse, but there is significant evidence it reduces college access for many of the nation's most vulnerable students – raising costs and forcing many schools out of inner cities, where most students are fully funded with federal aid. The rule creates disincentives for schools to serve students who tend to be most in need of financial help. The bill would eliminate the 90-10 rule, as originally proposed in H.R. 3039, authored by Rep. Tom Cole (R-OK).

- **Allow all eligible schools to compete for federal funding.** As called for in H.R. 3039, the bill will update technical legal definitions within the Higher Education Act to allow all eligible institutions to compete for available funding as long as they are two-year degree-granting institutions. The bill will simply combine the two current institutional definitions into one single, straightforward definition. No institutional sector will be guaranteed priority under the law; institutions will only be provided with the ability to compete on an equal basis for federal funding. Proprietary schools competing for and receiving grants as a result of this provision will be required to use the funds solely for student-related services.

- **Repeal unfair barriers to distance education.** Current federal rules on schools limit the number of students who can be enrolled in distance education, and the number of courses an eligible institution may offer via distance education. As proposed originally in H.R. 3039, the bill will repeal this so-called "50 percent rule" as it pertains to instruction by telecommunications. Financial rules, administrative capability rules, and accreditation safeguards would remain in place to prevent fraud and abuse. By removing unnecessary barriers to distance education, the bill will give schools the flexibility to increase the use of technology and provide students with new postsecondary options.

- **Remove barriers that may prevent home-schooled students from pursuing higher education.** The College Access & Opportunity Act will ensure colleges and universities are able to enroll students who have been home-schooled without losing eligibility for participation in federal student aid programs, and will clarify that home-schooled students are eligible to enroll in a college or university.

EMPOWERING CONSUMERS (PARENTS & STUDENTS) THROUGH "SUNSHINE" & TRANSPARENCY IN COLLEGE COSTS & ACCREDITATION

The College Access & Opportunity Act will:

- **Give consumers more information about what they're getting for their money.** Colleges are currently required to report a significant amount of data to the federal government, but the information is not available to students and parents in an easy-to-use format. The bill will require the U.S. Department of Education to use this information to create a "College Consumer Profile" and make this information available to the public in a readable, understandable, consistent, and clear format so students and families can make more informed choices in the college marketplace.

- **Shine a spotlight on excessive tuition hikes.** The bill will publicly identify federally-funded institutions that repeatedly engage in excessive tuition hikes, giving consumers an index they can use to track tuition increases and make more informed decisions in their college spending. Institutions that increase tuition and fees at more than twice the rate of inflation over a three-year interval will be publicly identified, as originally proposed by Rep. Howard P. "Buck" McKeon (R-CA) in H.R. 3311. The only federal "sanctions" such institutions will face under the College Access & Affordability Act, however, will be the light of public scrutiny. The current bill will not authorize the federal government to withhold a percentage of such schools' campus-based federal funding.

- **Make accrediting agencies more accountable by making information more public.** A 2002 study by the American Council of Trustees & Alumni (ACTA) found many accrediting entities do a poor job of maintaining academic quality and holding down costs. "[S]tudents can now graduate from accredited schools with an education in name only," noted ACTA's George Leef recently. Accrediting agencies are currently required under federal law to provide limited information about their activities to the public, but only upon request. The bill will make the accreditation process more transparent by giving students, parents, and the general public more direct access to such information, helping to ensure they know what they're getting for their money. The bill will help to ensure policies, actions, and activity by accrediting entities are publicly disclosed.

- **Make transfer of credit policies public.** With recent data showing more than 50 percent of students attend multiple institutions of higher education, it has become increasingly important for students to have the flexibility to transfer their credits from one school to another. To make it more difficult for academic credits earned by students to be wrongly denied for territorial or political reasons, the bill will simply require institutions to have a transfer of credit policy, make that policy public, and follow that policy, as proposed originally in H.R. 3311. The College Access & Opportunity Act also ensures credits are not unfairly and arbitrarily denied based on the accreditor of a college or university where the credits being transferred were earned, so long as the accreditor is recognized by the U.S. Secretary of Education.

ADDITIONAL FEATURES

The College Access & Opportunity Act will:

- **Strengthen higher education opportunities for military personnel.** Recognizing the unique needs of military personnel seeking a higher education while serving in the Armed Forces, the bill will include a number of provisions designed to ease higher education participation for current and former members of the military. The bill will allow greater opportunities for cancellation of Perkins loans for military personnel, placing members of the Armed Services in the same category for loan forgiveness as teachers, full-time law enforcement, and nurses. The bill will also treat active duty members of the military as independent students – which could allow access to greater financial aid opportunities – and will ensure all veterans are eligible to participate in the TRIO college access programs.

- **Clarify federal student aid rules on drug-related offenses.** The bill will clarify current federal law prohibiting students from receiving federal grant, work or loan assistance if they have been convicted of an offense under federal or state law involving the possession or sale of a controlled substance. The bill will clarify that the law applies to students who are currently enrolled, receiving federal Title IV aid, and convicted of the offense.

- **Repeal duplicative, expired, and/or unnecessary programs.** The bill will repeal nine current programs previously authorized under the Higher Education Act that are duplicative and/or unnecessary or have expired and are no longer needed. A number of expired provisions in current law will also be repealed.

- **Support efforts to prevent Pell Grant fraud.** House Republicans, led by Rep. Sam Johnson (R-TX), have introduced the Student Aid Streamlined Disclosure Act (H.R. 3613), legislation that would strengthen the popular Pell Grant higher education program by reducing fraud in the program that cheats America's most disadvantaged students. The College Access & Opportunity Act complements that effort. While protecting taxpayer privacy, H.R. 3613 would require the federal government to improve the verification process for Pell Grant awards through an IRS data match. In addition to helping to reduce the under-awarding of Pell Grant benefits for students who actually qualify for more generous awards, the proposal could free up as much as $340 million that Congress could use to expand the number of needy students legitimately receiving Pell grants, increase the maximum Pell Grant award for students, or reduce the current budget shortfall in the Pell Grant program for future recipients.

- **Promote financial and economic literacy.** Throughout the bill, program uses of funds will be expanded to include education or counseling designed to improve the financial and economic literacy of students and, where appropriate, their parents.

- **Reduce red tape for schools.** As included in the bipartisan FED UP reform legislation from 2002 – reintroduced last year as H.R. 12 – the bill will contain a number of provisions making technical corrections and improvements to current law as requested by American colleges and universities through the FED UP project, an initiative led by Rep. Howard P. "Buck" McKeon (R-CA) and the late Rep. Patsy Mink (D-HI) that allowed school officials and students to submit recommendations over the Internet for reducing federal red tape and making common-sense changes to current higher education law.

- **Expand loan forgiveness for teachers.** As approved via a stand-alone bill (H.R. 438) passed overwhelmingly by the House in 2003, the College Access & Opportunity Act will more than triple the amount of student loan forgiveness available to highly qualified math, science, and special education teachers, as well as reading specialists, who commit to teaching in high-need K-12 schools for five years. The provision mirrors the Teacher Recruitment & Retention Act, authored by Rep. Joe Wilson (R-SC) and similar to a measure proposed by President Bush, and would increase maximum federal loan forgiveness for such teachers from $5,000 to $17,500.